

VZCZCXRO8812
RR RUEHAG RUEHCN RUEHDF RUEHGH RUEHIK RUEHLZ
DE RUEHGZ #4846/01 1380233
ZNR UUUUU ZZH
R 180233Z MAY 06
FM AMCONSUL GUANGZHOU
TO RUEHC/SECSTATE WASHDC 8173
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHGV/USMISSION GENEVA 0426
RUCPDOG/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEAIAO/HQ ICE IAO WASHINGTON DC
RUEAHLA/HQ CIS IAO WASHINGTON DC
RUEAIIA/CIA WASHDC
RUEKJCS/DIA WASHDC
RHEHNSC/NSC WASHDC
RHHMUNA/HQ USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 03 GUANGZHOU 014846

SIPDIS

SENSITIVE
SIPDIS

DEPARTMENT FOR EAP/CM, DRL/IL
DEPARTMENT PASS USTR FOR KARESH, ROSENBERG
LABOR FOR ILAB HELM, LI ZHAO, SCHOEPPLE
TREASURY FOR OASIA/INA-DOHNER AND KOEPKE
USDOC FOR 4420/ITA/MAC/MCQUEEN
GENEVA FOR CHAMBERLIN
USPACOM FOR FPA

E.O. 12958: N/A

TAGS: [ELAB](#) [ECON](#) [EINV](#) [SOCI](#) [EAGR](#) [CH](#)

SUBJECT: XIAMEN'S ECONOMIC AND LABOR SITUATION: RISING WAGES
TO WOO MUCH-NEEDED WORKERS

(U) THIS DOCUMENT IS SENSITIVE BUT UNCLASSIFIED. PLEASE
PROTECT ACCORDINGLY. NOT FOR RELEASE OUTSIDE U.S.
GOVERNMENT CHANNELS. NOT FOR INTERNET PUBLICATION.

11. (SBU) Summary. Xiamen is Fujian's economic powerhouse, but like many highly developed coastal cities, it suffers from labor shortages in certain sectors. The manufacturing sector remains its principal job provider, but its service industry is quickly gaining ground. Average wages in the city grew almost 10% during 2005, with farmers sharing in the gains, as their income grew at more than 10%. Meanwhile, there is a clear disconnect between Xiamen's idle workers and its work vacancies, as the city's unemployment rate stands at 3.79%, yet only half of the nearly one million jobs offered in Xiamen during 2005 were filled. This provides an opportunity for young migrants from neighboring rural provinces, who join the foreigners that have come to invest in highly visible enterprises in the city. Skilled technical workers remain in short supply, and Xiamen is competing with other developed coastal cities to attract these workers through higher wages and the reputation as one of China's most livable cities. End summary.

12. (SBU) On April 28, Deputy Director General Wu Xuexiang, of Xiamen's Labor and Social Security Bureau, discussed economic and labor issues in Xiamen. Also present at the meeting were Cai Donghong, chief of the employment and unemployment insurance section, and other officials who did not add to the discussion. According to the official statistics for the end of 2005, Xiamen's workforce numbered 1.395 million, having grown by 190,000 during the year. The city's total population was 2.25 million and its gross domestic product (GDP) was RMB 102.955 billion (USD 12.861 billion). The city is a Special Economic Zone (SEZ) and is being considered as a possible location for an American Presence Post (APP).

Industrial sector is tops, service sector closing in

¶13. (U) The secondary industry's workforce grew by 77,000 in 2005, to reach 660,000, or over 47% of the city's total workforce. For its part, the tertiary industry employed about 558,000 people, or 40% of the overall workforce, having added some 135,000 new jobs during 2005. Meanwhile, the primary industry lost 19,000 jobs in 2005, for a workforce of 176,000 at the end of 2005. In 2005, the average contribution to GDP of a secondary-sector worker was RMB 86,683 (USD 10,820), while that of a tertiary-sector worker was RMB 78,292 (USD 9,774). Labor-intensive agriculture occupied 13% of the city's workforce, yet only produced 2% of GDP.

¶14. (SBU) Although the secondary sector still employs 102,000 more employees, the growth rate of the tertiary sector's employee roll was more than twice as fast (31.9%, compared with 13.2%). Even allowing for some slowdown, the service sector could at least equal the manufacturing sector in terms of workers. However, it will take longer for the former to match the latter's contribution to GDP.

Average wages up almost 10%

¶15. (U) Total wages paid in 2005 reached RMB 15 billion (USD 1.87 million), up 27.1% year-on-year. Xiamen officials attribute this growth to a corresponding growth in the size of the city's workforce, in addition to rising wage rates. Average wages in Xiamen grew 9.92% during 2005 to reach RMB 22,577 (USD 2,820). The per capita income of farmers grew

GUANGZHOU 00014846 002 OF 003

10.3% to RMB 6,230 (about USD 778).

¶16. (U) The average wages in the primary industry grew 10.33% to RMB 13,585 (USD 1,697). Meanwhile, average wages in the secondary industry grew to RMB 18,013 (USD 2,250), up 6.91%. Finally, those in the tertiary industry grew 12.74% to RMB 35,079 (USD 4,382).

Unemployment, reemployment, and no employment

¶17. (SBU) The unemployment rate in Xiamen for 2005 was 3.79%. This rate compares favorably to China's 4.2% rate and Fujian's 4.0%. However, it compares less favorably to Guangzhou's 2.08%. During the year, 224,000 laid-off workers were reemployed. Of these, just 3,600, or 1.6%, were over the age of 40. Xiamen also offered vocational training to 26,000 people. Despite the unemployment rate, of the 920,000 jobs offered in 2005, 460,000, or half, went unfilled. It appears that Xiamen's surplus labor is not of the kind that its booming economy needs. Likely, those that have fallen by the wayside are mostly older workers that companies do not care to train, calculating that they will not be able to get much work out of them before they retire.

Insurance coverage

¶18. (U) 840,000, or over 60%, of Xiamen's workforce were covered by medical insurance; 780,000 (55.9%) by pension insurance; 680,000 (48.7%) by unemployment insurance; 630,000 (45.2%) by industrial injury insurance; and 210,000 (15.1%) by birth insurance. RMB 3.6 billion (USD 450 billion) worth of employment-related insurance premiums were collected in Xiamen during 2005.

From China...

¶19. (SBU) Like in China's other boomtowns, much of the labor

behind Xiamen's economic success has come from poorer, inland provinces. The main providers of labor are Jiangxi, Chongqing, Sichuan, Guizhou, Guangxi and Hunan. Contrary to the case in Guangzhou and Shenzhen -- where many migrants come from other parts of Guangdong province -- the rest of Fujian was not mentioned as a significant source of labor. Anecdotally, however, it seems a notable proportion of Xiamen's service-sector professionals hail from Quanzhou, Fujian's third-most important city, after Xiamen and its capital Fuzhou.

... And Beyond

¶10. (SBU) About 1,200 foreigners are part of Xiamen's workforce. These include more than 70 Americans, whose principal places of employment are the local Dell and Kodak factories. Meanwhile, with a small resident population, Singapore typically punches above its weight, holding key investments in the hotel and entertainment sectors. Additionally, some 2,000 people from Taiwan work in Xiamen, mostly in the electronics, rubber, food-and-beverage, and real estate industries. Xiamen is also home to some 500 Hong Kongers and Macanese. Hong Kong interests own more than half the shares of TAECO, a leading aircraft-maintenance company that does work for giants such as Japan Airlines and Lufthansa, and which carried out the first conversion of an aircraft from passenger to cargo use in China.

Jinmen: Xiamen's "golden door" to Taiwan?

GUANGZHOU 00014846 003 OF 003

¶11. (SBU) Ferries between Xiamen and the nearby island of Jinmen (which in Chinese means "golden door") are part of the "mini three links" between the Mainland and Taiwan-controlled islands of Jinmen (Kinmen or Quemoy) and Matsu (Matsu). They are called "mini" to distinguish them from the regular "three links" (postal, transport and trade), which currently do not exist between the Mainland and Taiwan proper. This has proved a boon to people from Taiwan that happen to live in Xiamen, by allowing them to travel back to Taiwan with much more ease than their counterparts in other Mainland locations, who must fly via an intermediate location, typically Hong Kong or Macau. However, the ferry has not yet demonstrated its worth as a trade link.

¶12. (SBU) From Jinmen there are multiple daily flights to Taipei and other destinations in Taiwan, and many of these are scheduled to take in passengers coming in on the Xiamen ferries, which take less than two hours. Airlines based in Taiwan have offices in Xiamen's ferry terminal. Meanwhile, pilgrims from Taiwan use the Xiamen ferry during visits to worship the goddess Matsu (Matsu), protectress of fishermen and seafarers, at her home temple on Fujian's Meizhou Island.

Comment: Not enough workers

¶13. (SBU) Like the rest of the developed coastal cities in Fujian and nearby Guangdong, Xiamen is suffering from an inadequate supply of labor for its hi-tech sector. This is good news for skilled workers, as factories have been raising their wages to increase retention and attract new workers. The labor shortage, ironic in a country with millions of unemployed and underemployed citizens, is very much due to a misallocation of educational resources. While there has been a huge surge of students graduating from universities in the past few years, it appears that fewer are headed into technical fields. While investors may think twice about investing in Xiamen if they fear they will be faced with insufficient skilled labor, this is a problem that China as a whole is facing.

¶14. (SBU) While not entirely good news for the city's economy, the wage increases serve to move the city's manufacturers up the value chain and ultimately bring about economic transfers to inland provinces from whence the migrants originate, in the form of remittances and savings taken back by returnees, as well as by the reduction of the population base to which the authorities back home must provide services. Nonetheless, for now, and despite rising wages, Xiamen is competing with other cities also struggling to attract a limited number of skilled and hi-tech workers.

DONG